

**[DISCUSSION DRAFT]**

117TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To eliminate the prohibition on States and territories receiving Coronavirus State Fiscal Recovery funds from lowering taxes.

---

IN THE HOUSE OF REPRESENTATIVES

Mr. BRADY introduced the following bill; which was referred to the Committee  
on \_\_\_\_\_

---

**A BILL**

To eliminate the prohibition on States and territories receiving Coronavirus State Fiscal Recovery funds from lowering taxes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as **[**the “\_\_\_\_\_ Act of  
5 2021”**]**.

1 **SEC. 2. REFUNDS TO OFFSET CORONAVIRUS STATE FISCAL**  
2 **RECOVERY FUNDS ALREADY REPAID BY REA-**  
3 **SON LOWERING TAXES.**

4 (a) IN GENERAL.—Subchapter B of chapter 65 of the  
5 Internal Revenue Code of 1986 is amended by inserting  
6 after section 6423 the following new section:

7 **“SEC. 6424. REFUNDS TO STATES TO OFFSET CERTAIN RE-**  
8 **QUIRED REPAYMENTS OF CORONAVIRUS**  
9 **STATE FISCAL RECOVERY FUNDS.**

10 “(a) IN GENERAL.—As soon as practicable after any  
11 specified State pays any specified repayment, the Sec-  
12 retary shall make a payment to such specified State in  
13 an amount equal to such specified repayment.

14 “(b) SPECIFIED REPAYMENT.—For purposes of this  
15 section, the term ‘specified repayment’ means any repay-  
16 ment required to be made under subsection (e) of section  
17 602 of the Social Security Act by reason of subsection  
18 (c)(2)(A) thereof.

19 “(c) SPECIFIED STATE.—The term ‘specified State’  
20 means any State, territory, or Tribal government which  
21 is required to make to any specified repayment.

22 “(d) OTHER TERMS.—The terms ‘State’, ‘territory’,  
23 and ‘Tribal government’ shall have the same respective  
24 meanings as when used in section 602 of the Social Secu-  
25 rity Act.

1           “(e) TREATMENT OF PAYMENTS.—For purposes of  
2 section 1324 of title 31, United States Code, the payments  
3 under this subsection shall be treated in the same manner  
4 as a refund due from a credit provision referred to in sub-  
5 section (b)(2) of such section.”.

6           (b) CLERICAL AMENDMENT.—The table of sections  
7 for subchapter B of chapter 65 of such Code is amended  
8 by inserting after the item relating to section 6423 the  
9 following new item:

          “Sec. 6424. Refunds to States to offset certain required repayments of  
          coronavirus State and local fiscal recovery funds.”.

10          (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to repayments paid after the date  
12 of the enactment of the American Rescue Plan Act of  
13 2021.

14 **SEC. 3. ELIMINATION OF PROHIBITION ON STATES RECEIV-**  
15 **ING CORONAVIRUS STATE FISCAL RECOVERY**  
16 **FUNDS FROM LOWERING TAXES.**

17          (a) IN GENERAL.—Paragraph (2) of section 602(c)  
18 of the Social Security Act, as added by section 9901 of  
19 the American Rescue Plan Act of 2021, is amended to  
20 read as follows:

21               “(2) FURTHER RESTRICTION ON USE OF  
22 FUNDS.—No State or territory may use funds made  
23 available under this section for deposit into any pen-  
24 sion fund.”.

1 (b) CONFORMING AMENDMENTS.—Section 602 of  
2 such Act is further amended—

3 (1) in subsection (d)(2)(A), by striking “, in-  
4 cluding, in the case of a State or a territory, all  
5 modifications to the State’s or territory’s tax rev-  
6 enue sources during the covered period”;

7 (2) in subsection (e), by striking “such sub-  
8 section,” and all that follows through the period and  
9 inserting “such subsection.”; and

10 (3) in subsection (g)—

11 (A) by striking paragraph (1); and

12 (B) by redesignating paragraphs (2)  
13 through (7) as paragraphs (1) through (6), re-  
14 spectively.

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply with respect to repayments which  
17 would (but for such amendments) be required to be paid  
18 after the date of the enactment of this Act.